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UNITED STATES DEPARTMENT OF AGRICULTURE
~~Production and Marketing Administration~~
WASHINGTON, 25, D. C.
Commodity Stabilization Service
Livestock and Dairy Division

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June 16, 1954

To: Harlan J. Emery, Chief, Program Planning Branch
Wendell A. James, Chief, Dairy Operations Branch
E. J. Cronkhite, Chief, Livestock and Poultry
Operations Branch
L. T. Davis, Chief, Wool Operations Branch

From: F. W. InMasche, Deputy Director

Subject: ³Annual Report

Attached is a copy of a memorandum dated June 11 from Mr. H. W. Henderson of the Information Division, requesting the annual report for our Division's activities by not later than August 2.

To assure complete coverage, it is suggested that the three Operations Branches prepare reports for their respective activities and that the Program Planning Branch prepare the general information desired for the different commodities as well as consolidating all of the material into a balanced report for the Livestock and Dairy Division.

The report for each Branch should cover all of its activities during the fiscal year, including those that were handled by any predecessor organizations where the functions are now the responsibility of the Livestock and Dairy Division, CSS. For example, the Livestock and Poultry Operations Branch should cover the beef purchases last summer and fall under Section 32, and likewise, any purchases of poultry products during the fiscal year.

With the division of PMA's functions between AMS and CSS, there doubtless will be some duplication in the reports submitted by the two services, especially in the portion dealing with the commodity situation. Nevertheless, it is suggested that we prepare our report to give a complete picture of our activities and rely on those at the Secretary's Staff level to correlate the report for the Department as a whole.

In order that we may complete the report by the August 2 deadline, the drafts prepared by the three Operations Branches should be submitted to the Program Planning Branch by July 26 at the latest.

Attachment

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COPY

To: Don S. Anderson, Livestock & Dairy Divn.
From: Harry W. Henderson, Information Divn., CSS
Subject: CSS Annual Report for 1954

June 11, 1954

The fiscal year 1954 is drawing to a close and you probably have already talked to some of your people about an annual report. The following suggestions may be helpful to your writers when they shape up their report material.

Organization: A very brief "economic background" is desirable at the beginning of the chapter. Such a background brings into focus your division activities during the year. For example, if you explain that production was heavy, demand down, and prices low, that throws light on why your price support operations were extensive. Inasmuch as these reports are written for historians as much as anybody else, we ought to put into them a little of the economic climate in which we are operating.

Follow your background statement with discussions, in the following order, of (1) price support operations--support levels, quantities put under loan or purchased, disposals, and other pertinent information; (2) supply operations; (3) foreign purchases, if any; (4) Section 32 operations, if any; (5) acreage allotments and marketing quotas; (6) defense activities (which may be combined in a separate chapter); and (7) any special activities, such as attendance at international conferences abroad.

Length: Keep the report as short as possible through "tight writing." Short tables also save space.

Date report is needed:

Not later than August 2.

2. Annual report

DAIRY PRODUCTS

Milk production in the 1953-54 fiscal year was at a record level of 123.9 billion pounds. It was 4.2 percent greater than a year earlier. The increase in milk production reflected increases in the number of cows and in production per cow to an all time high rate. Encouraged by large feed supplies in most areas and lower prices of beef cattle, dairy production increased even though milk and butterfat prices to farmers averaged lower during the fiscal year than a year earlier. The U. S. average price of milk sold wholesale was lower by 11 percent and butterfat in farm-separated cream by 9 percent.

Total consumption of milk and its products was about the same as a year earlier. More extensive price support operations were carried out through Commodity Credit Corporation. Purchases of dairy products under the support program increased by quantities equivalent to about the increase in milk production during the fiscal year.

PRICE SUPPORTS

The Agricultural Act of 1949 required the support of prices to producers for milk and butterfat at such level from 75 to 90 percent of parity as is necessary to assure an adequate supply. The Act provided that the support be carried out by loans on, or purchases of, the products of milk and butterfat.

The dairy price support program that had been announced for the marketing year beginning April 1, 1953 was continued through

March 1954. The announced U. S. average support prices were \$3.74 per hundred weight of manufacturing milk and 76.3 cents per pound of butterfat in farm separated cream. These prices were equal to 90 percent of the parity equivalent price for manufacturing milk and 90 percent of parity for butterfat as of the beginning of the marketing year.

Increased milk production, large purchases and mounting stocks of dairy products under the price support program made it advisable to decrease the milk and butterfat support level to the legal minimum of 75 percent of parity for the marketing year that began April 1, 1954. The national average support prices announced in February, 1954 for the 1954-55 marketing year were \$3.14 cents per hundredweight for manufacturing milk and 56.0 cents per pound for butterfat. They were revised on July 7 to \$3.15 cents for manufacturing milk and 56.2 cents for butterfat because the parity index increased slightly between the time the program was originally announced and the beginning of the marketing year.

The price support was carried out by purchases of butter, Cheddar cheese and nonfat dry milk solids from manufacturers and receivers at announced prices. The purchase prices were based on the relationships in recent years between market prices of the products and the U. S. average prices paid producers for manufacturing milk and butterfat. The prices paid producers in the 1953-54 marketing year averaged somewhat below the intended support levels. This experience was taken into consideration in determining the purchase prices for the 1954-55 marketing year.

Price reports, however, indicated that the average producers' prices for manufacturing milk in April, May and June 1954 were slightly below the support level. In order to correct this situation, the purchase prices for cheese and nonfat dry milk solids were increased effective July 12.

The purchase prices under the 1953-54 and 1954-55 programs are set forth in Table _____.

The purchase price for butter at points other than the designated markets was the price at the designated market named by the seller less 80 percent of the lowest published domestic railroad carlot freight rate per pound gross weight from the offer point to the designated market. As under the previous program, the purchase price differentials based on less than the freight rates were used to encourage storage in or near the major producing area that would facilitate subsequent distribution to outlets that developed.

DAIRY PRODUCTS ACQUIRED

Purchases of butter, cheese and nonfat dry milk solids were made in every month, and for the fiscal year totaled 371 million pounds of butter, 415 million pounds of cheese and 676 million pounds of nonfat dry milk solids. These quantities included 5.1 million pounds of butter and 83.5 million pounds of cheese purchased in March and immediately contracted for sale back to the trade in April. These latter purchases and sales were made under a modification of the program to provide more effective price support for manufacturing milk and butterfat during March and to facilitate the distribution of dairy products in regular trade channels while the old program was ending and the new one

was getting under way.

DISPOSITION OF STOCKS

Determined efforts were made to develop outlets for dairy products acquired under the price support program. During the fiscal year CCC sold or donated about 183 million pounds of butter, 178 million pounds of cheese and 716 million pounds of nonfat dry milk solids. (See Table _____).

Dairy products owned by CCC were offered monthly for sale back to the commercial market at prices slightly above the current purchase prices. Current market supplies, however, exceeded consumption during most of the year. Hence only limited quantities of CCC stocks ^cshould be moved back into commercial market channels. In addition to the butter and cheese purchased in March and immediately contracted for sale back to the sellers in April, CCC sold to the domestic commercial market only about 5 million pounds of butter, 27 million pounds of cheese and a small quantity of nonfat dry milk.

Substantial quantities of dairy products were transferred by sale from CCC to Section 32 programs for distribution to school lunch programs and other eligible outlets. Additional quantities were donated by CCC under Section 416 to public and private agencies for welfare use in the United States and to private organizations for distribution to needy persons in other countries.

Large quantities of nonfat dry milk solids were sold at less than cost to foreign governments and to such organizations as the United Nations International Children's Fund for welfare feeding programs abroad.

Cheese and nonfat dry milk solids were made available beginning in April, for sale to exporters at prices corresponding to the world

market ^{prices} for these products. Butter was made available for such sale beginning in May.

Butter was sold at less than cost to the armed services and Veterans Administration for use in addition to their normal purchases of butter in the markets. Other outlets for butter included its sale for use as an extender of cocoa butter, conversion into butter oil for export under a United Nations Program, sale to facilitate the export of U. S. butterfat and nonfat dry milk solids for recombination to make fluid milk for sale abroad.

About 441 million pounds of nonfat dry milk solids were sold at reduced prices during May and June under a special program for use in animal and poultry mixed feeds. Such sales were to be continued through August 31. These sales helped to relieve a protein supplement shortage resulting from the reduced 1953 soybean crop.

As of June 30, 1954, CCC had an uncommitted inventory of 440 million pounds of butter, 412 million pounds of cheese and 302 million pounds of nonfat dry milk solids.

Loans on Whey Products and Dry Buttermilk

In late May CCC offered a limited program of non-recourse loans on whey products and dry buttermilk to offset possible losses that might result from the program to sell nonfat dry milk solids for use in animal and poultry mixed feeds. Under this program borrowers may elect the last day of any month from August 1954 through March 1955 and may pay off the loans as the maturity date for loans/at any time prior to maturity. No loans had been made by the end of the fiscal year.

Industry Advice

Representatives of producers, processors and distributors of dairy products, as a dairy industry task committee, met twice with Department representatives to study the dairy price support problem and to develop more satisfactory solutions. Particular attention was given to possible ways to increase consumption. Several plans were considered that, in one way or another, would reduce prices to consumers. It appeared, however, that the plans considered either lacked legal authority or would be impracticable to operate.

Section 32 Purchases

Purchases in the markets totaling 17,370,000 pounds of processed Cheddar cheese and 27,256,572 pounds of nonfat dry milk solids were made under Section 32 programs during the fiscal year for distribution to school lunch programs and other eligible outlets. These purchases were in addition to the products transferred from CCC to Section 32 programs for similar uses.

Foreign Supply Program

Purchases during the year for the account of the Foreign Operations Administration totaled 2,319,000 pounds of cheese, 1,212,136 pounds of nonfat dry milk solids, and 425,700 cases of evaporated milk. These purchases were used in a special relief program for distribution in small packages in European and other countries.

Lend-Lease Plants

Two facilities, consisting of machinery and equipment for receiving and processing milk into nonfat dry milk solids, which were purchased by the Department in 1944 with Lend-Lease funds and rented

to cooperative associations, were taken over during the fiscal year by the lessees under the reversionary provisions of the purchase contracts. The four remaining Lend-Lease facilities, consisting of complete plants, are scheduled to be taken over by the lessees during the 1955 fiscal year.

Table _____. Announced purchases prices for dairy products at specified locations under the milk and butterfat price support program, fiscal year ending June 30, 1954.

Commodity	Market	1953-	1954 - 55	
		54	April 1 to July 11	Revised Effective July 12
		cents per pound		
Butter, U.S. Grade A:				
or higher	Chicago	65.75	57.50	57.50
"	New York	66.50	58.25	58.25
"	San Francisco	66.75	57.50	57.50
"	Seattle	66.75	57.50	57.50
Butter, U.S. Grade B:	Chicago	63.75	55.50	55.50
"	New York	64.50	56.25	56.25
"	San Francisco	64.75	55.50	55.50
"	Seattle	64.75	55.50	55.50
Cheddar Cheese				
U. S. Grade A or higher	United States	37.00	32.25	33.25
Nonfat dry milk				
solids, U.S. Extra:				
grade				
Spray process	United States	16.00	15.00	16.00
Roller process	" "	14.00	13.25	14.25

Table _____. Purchases and Disposition of dairy products by CCC under the milk and butterfat price support programs, fiscal year 1954.

ITEM	Creamery butter	Cheddar cheese	Nonfat dry milk solids
	Million pounds		
Available for sale or distribution June 30, 1953	252.1	175.4	342.0
Purchases during year	370.6	415.0	676.0
Sold or donated during year	182.6	178.0	716.5
Available for sale or distribution: June 30, 1954	440.1	412.4	301.5
Sales and donations during the year:			
Commercial sales (domestic)			
Human food 1/	10.3	110.9	.1
Animal feed	--	--	445.3
Negotiated export sales	--	.5	167.5
Transfers to Section 32 programs	83.8	35.5	9.0
Section 416 donations	60.2	31.0	92.4
Sales to armed services and Veterans Administration	22.7	.1	1.5
Processed into butter oil	5.1	--	--
Commercial export sales	.2	--	.7
Salvage sales	.3	--	--
TOTAL	182.6	178.0	716.5

1/ Includes 5.1 million pounds of butter and 83.5 million pounds of cheese purchased in March, 1954 and immediately contracted to be sold back to the sellers in April, 1954.

LIVESTOCK, MEATS AND LARD

Beef Cattle

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to Washington
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The fiscal year ended June 30, 1954, was an important period of readjustment in the beef cattle industry following several years of favorable prices and expansion in cattle numbers. Marketings of cattle for slaughter which had started to increase during the preceding fiscal year reached levels comparable to those during 1947 when there was a record slaughter. Prolonged drought in certain areas, especially the Southwest, accentuated the movement of cattle to slaughter which was already on increase as a result of the expansion in cattle numbers since 1943.

Marketings of cattle and calves during the fiscal year 1954 were increased to a point where cattle numbers in the United States were about held constant for the year. From the fall of 1952 to the summer of 1953, prices of cattle declined 30 or more percent, depending upon the class and grade. However, after the adjustment resulting from the higher rate of marketings and the larger supplies of beef to be moved into consumption, prices for most classes and grades have since continued about steady.

The U. S. average farm price of beef cattle at the end of the fiscal year was 80 percent of parity.

During the fiscal year, several actions were taken by the Department to help check the decline in cattle prices and alleviate the distress of cattlemen, particularly in the drought areas. In addition to making available emergency drought feed and emergency credit programs, the

Department cooperated with all segments of the industry in promoting consumer demand for beef with emphasis placed on the greater utilization of beef from the lower grades of cattle. The Department also purchased approximately 242,000,000 pounds of beef and beef products in connection with surplus removal and foreign aid programs. These actions were taken upon the advice and counsel of many cattlemen and their organizations.

While the industry suffered drastic declines in cattle prices, the majority of the industry representatives indicated their opposition to direct support of prices on the grounds that such action would discourage consumption of the industry's products, delay needed adjustments in production and likely lead to extensive Government regulation of the industry.

Beef Purchase Program

Of the approximately 242,000,000 pounds of beef and beef products purchased, around 216,000,000 pounds were canned and frozen beef products purchased under Section 32 program for use in the school lunch and other eligible outlets. The balance consisted of canned and frozen beef purchased through CCC facilities for shipment to Germany and Greece under programs of the Foreign Operations Administration.

The purchase operations were designed primarily to provide additional outlets for the increased supplies of lower grade cattle arriving on the market during the summer and fall period of seasonally large marketings

of grass fed cattle when cattlemen most needed price assistance. The beef and beef products purchased were largely from the lower grades of cattle, prices of which were depressed to the greatest extent.

All of the beef purchased was obtained through normal trade channels from Federally-inspected processors throughout the United States. In order for the purchase program to provide the greatest possible assistance to the cattle market during the time it was most needed, the beef was purchased in a manner to concentrate the added market demand in the period of heaviest marketings. Purchases were continued on a weekly basis until December 16, 1954, when the peak marketing season for cattle had passed and the need for the beef purchases had lessened.

The prices paid for beef and beef products were estimated to have permitted packers to pay \$9.00 or more per hundred pounds for firm fleshed, cutter and canner cows. However, vendors were not required to pay any specific price, as that would have resulted in only those cattle purchased for filling the Government contracts bringing the specific prices or the Government would have had to be prepared to take the entire volume of production offered. As carried out, the price benefits accruing by the diversion from the normal consumption market the volume of beef equivalent to nearly 900,000 head of cattle benefited the cattle market generally.

Hogs

Hog prices were relatively high during most of the fiscal year and no price support action was necessary. Hog prices reached a peak in April but they began to decline in May and June with the prospects of increased marketings as a result of the larger pig crop in the spring of 1954. The U. S. average price received by farmers for hogs at the end of the fiscal year was still well above parity.

Approximately 21 million pounds of lard were purchased, at an average cost of 17.64 cents per pound, during the fiscal year for shipment to Germany under programs of the Foreign Operations Administration.

Lamb and Mutton

Despite the fact that stock sheep numbers in the United States were at record low levels and the quantity of lamb and mutton available per capita was less than one-half what it was prior to World War II, market prices of sheep and lambs suffered sharp declines during the fiscal year. However, other than exports under Foreign Aid programs, there were no additional outlets which could be provided for these products. Around 300,000 pounds of frozen mutton were purchased for export to Greece under programs of the Foreign Operations Administration.

The following table shows meat food products purchased for the fiscal year 1954

PRODUCT	Section 32		Export Supply	
	Quantity	Average cost per lb.	Quantity	Average cost per lb.
	thous. lb.	cents	thous. lb.	cents
Canned Beef and Gravy	163,767	39.23	11,120	42.46
Frozen Ground Beef	47,349	35.35		
Frozen 3-way Beef	126	39.84		
Frozen Carcass Beef			13,910	24.26
Frozen telescoped Mutton			293	14.58
ard			21,000	17.64

POULTRY AND EGGS

Production of eggs and chickens, including broilers, were at record levels during the fiscal year. Egg prices were quite favorable to producers until the closing months of the fiscal year when they declined. The U. S. average price in June 1954, adjusted for seasonality, was 78 percent of parity. Farm prices of chickens averaged moderately below a year earlier during the year and at the close the national average was 75 percent of parity. Farmers received fairly satisfactory prices for most of the 1953 crop of turkeys. Prices declined somewhat in May and June 1954 as hatchings pointed to a substantial increase in production. The June 1954 average farm price of turkeys was 80 per cent of parity. Representatives of the poultry industries, although concerned about the price declines, advised against price support actions that would build up Government inventories of poultry products, discourage consumption and lead to regulation of their industries.

WOOL AND MOHAIR PRICE SUPPORTS

The price received for wool by producers required support during the fiscal year even though this country depends upon foreign sources of supply for much of its requirements for apparel wool. While the average price received for domestic wool during the year was slightly above the support level, market demand and prices for several grades and classes of wool were such that ready outlets were available during a large part of the marketing season only through the support program.

The demand situation was aggravated by the fact that consumption of wool began to decline in August 1953 and continued to decline during the remainder of the calendar year. Consumption increased slightly in the first 5 months of 1954 but the total for this period was still 30 percent lower than during the same period a year earlier. Total mill consumption of apparel wool during the 1954 fiscal year was approximately a quarter lower than during the previous fiscal year. The decline in consumption during the past fiscal year was accompanied by some weakening in market prices. Consequently, CCC acquired around 13 percent of the 1953 production of wool under its price support operations through loans and purchases.

The Department recommended action under Section 22 of the Agricultural Adjustment Act, as amended, as imports of wool were interfering with the Department's price support program for wool and was resulting in an accumulation of wool stocks by CCC while imports were supplying an increasing share of domestic requirements. The Tariff Commission reported its findings to the President in March 1954. The Commission recommended that certain fees on imports of wool be imposed in addition to the prevailing duties. The President announced that no action would be taken in view of the new wool program involving incentive payments that was being

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considered by Congress. This new program was under consideration by Congress at the end of the fiscal year. ~~This new program~~ would permit the domestic wool clip to move into consumption in competition with imported wools, avoid the Government having to be in the business of acquiring and merchandising wool, and at the same time provide growers an incentive price to encourage the development of a sound and prosperous domestic wool industry.

The price support program for wool for the marketing year beginning April 1, 1953 was continued through the year which ended March 31, 1954. Wool was supported at 90 percent of the March 1953 parity price of 59 cents or 53.1 cents per pound, grease basis. Shorn wool was supported by loans and pulled wool by purchases. Advance loans on shorn wool were made totaling about 15 million dollars secured by 35 million pounds of wool. All of these loans were either paid or converted to nonrecourse loans. Nonrecourse loans were made on 35.5 million pounds of wool valued at 22 million dollars, of which loans on 5.7 million pounds of wool valued at 3 million dollars were paid before maturity. About 36.4 million pounds of shorn and pulled wool were acquired by CCC under the 1953-54 program.

Under the program for the marketing year beginning April 1, 1954 wool is being supported at 53.2 cents per pound which is 90 percent of parity at the beginning of the marketing year. An important change from the previous marketing year is that pulled wool is being supported through loans rather than by purchases.

Market prices for mohair were above the announced support prices during the fiscal year and price support operations were not necessary.

CCC offered the wools acquired under its price support operations during the 1952-53 and 1953-54 marketing seasons for sale to the commercial

market. In disposing of its wools, the Department followed a policy of setting sales prices at levels that would not interfere with the commercial marketing by producers of the current season's production of wool.

Approximately 19 million of the 1952 and 1953 program wools were sold, including approximately 2 million pounds delivered to Yugoslavia under authorization from the Foreign Operations Administration.

The Department advised the Office of Defense Mobilization again in early 1954 of the wool it had acquired under its price support operations and requested advice as to whether any or all of such wool could be used for a strategic reserve or by the military services in fulfilling their anticipated requirements for finished materials. The Office of Defense Mobilization subsequently advised the Department that wool acquired under price support operations will not be required for a strategic reserve.

The Commodity Stabilization Service, in cooperation with the Agricultural Marketing Service, began a research project of combing sizable quantities of CCC-owned wools to obtain data on the quality and quantity of top that can be obtained from wools of the various classifications used by CCC in its price support operations. Such data are expected to afford a basis for making improvements in appraisal and shrinkage determination techniques for use in price support operations, in marketing practices, and in standards for grades of grease wool.

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1801. It is a very important document, as it contains the President's first message to the Congress. The letter is written in a very formal and dignified style, and it is one of the most important documents in the history of the United States. It is a document that has been read and studied by many generations of Americans, and it is a document that has played a major role in the development of the United States. The letter is a very important document, and it is one of the most important documents in the history of the United States. It is a document that has been read and studied by many generations of Americans, and it is a document that has played a major role in the development of the United States.